

# Event Center Financing Discussion Materials

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City of Rocky Mount, North Carolina



March 24, 2014

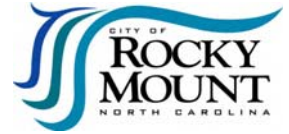
**DAVENPORT & COMPANY**

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# Event Center Financing Options

# Event Center Project Overview

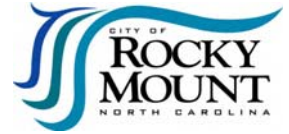
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- The City is considering the construction of a new Event Center in downtown Rocky Mount.
  - Project construction (including parking, design and engineering) is estimated to cost \$37.2 million.
  - Other project costs, including land, working capital, general contractor fees, contingency and project management are estimated to be approximately \$4.8 million.
  - Pre-development, costs of issuance and other transactional costs will be dependent upon the financing vehicles utilized.
  
- The City has established a Working Group to study the Event Center project:
  - AECOM (Project Feasibility Consultant).
  - BWC Consulting (Alternative Funding Consultant / Economic Development Financial Advisor).
  - Davenport & Company LLC (City's Financial Advisor).
  - Hunton & Williams LLP (City's Bond Counsel).

# City Funding Vehicles

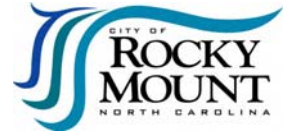
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1. Pay-Go Cash Contribution
2. Installment Contract Financing (“LOBs”)
  - Requires a pledge of an asset being financed through the bond issuance
  - May be difficult due to perceived lack of essentiality by lenders and/or if other financing vehicles require outside ownership interest
3. Special Obligation Bonds (“SOBs”)
  - Requires a revenue pledge of non ad valorem taxes. For the Event Center project, the City could consider pledging:
    - Existing Sales Tax
    - Existing Occupancy Tax
    - Other Sales and Use taxes implemented in conjunction with the Event Center.
4. New Market Tax Credit (“NMTC”) Program
  - Federal Program designed to spur new or increased investment in low income communities.
    - Requires a NMTC Allocation and an Equity Investor to purchase the NMTCs

# City Funding Vehicles (continued)

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## 5. EB-5 Funding

- Federal program that provides a visa to foreign investors in exchange for an investment in a commercial Enterprise in the United States.
  - Requires a minimum investment of \$500,000 in a Targeted Employment Area that creates or preserves 10 full time jobs (per investor) for U.S. workers over a two year period.

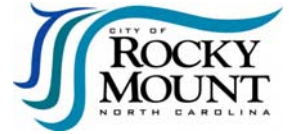
## 6. Public Private Partnership Lease (“PPP”)

- A PPP is a partnership with a private developer who would agree to finance, build, own and maintain the facility in exchange for a long-term operating lease agreement with the City.

## 7. Bank Products

- The City could look to a banking institution to provide some or all of the funding for the project through the use of bank products, including:
  - Traditional long-term bank loan (10-15 year amortization).
  - Short term loan (e.g. 7 year final maturity) with a long term principal amortization (e.g. 20 years)
  - Bank Letter of Credit backing a Variable Rate Loan or Variable Rate Bonds.
  - Bank participation by purchasing bonds as part of a public sale of LOBs / SOBs.

# Projected Event Center Operations



## Event Center Operating Projections

- AECOM has projected Net Operating Income (Loss) associated with the Event Center by analyzing:

- Usage / Demand for the Event Center
- Operating Revenues
  - Space Rentals
  - Advertisement / Sponsorships
  - Naming Rights
  - Facility Fee
  - Premium Seating
  - Merchandise
  - Food and Beverage
  - Parking
  - Other Revenues
- Operating Expenses
  - Salaries, Wages and Benefits
  - General and Administrative Expenses
  - Utilities
  - Repairs and Maintenance
  - Management Fees
  - Insurance
  - Advertising

Year of Operation	Operating Revenues	Operating Expenses <sup>1</sup>	Net Operating Surplus / (Subsidy)
1	1,541,000	2,165,000	(624,000)
2	1,576,000	2,219,000	(643,000)
3	1,802,000	2,274,000	(472,000)
4	1,843,000	2,331,000	(488,000)
5	2,074,000	2,389,000	(315,000)
6	2,121,000	2,449,000	(328,000)
7	2,169,000	2,510,000	(341,000)
8	2,219,000	2,573,000	(354,000)
9	2,269,000	2,637,000	(368,000)
10	2,321,000	2,703,000	(382,000)
11	2,321,000	2,703,000	(382,000)
12	2,321,000	2,703,000	(382,000)

<sup>1</sup> Note: Does Not Include Debt Service

# Potential Funding Cases

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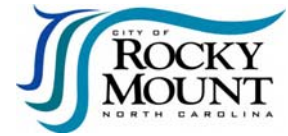


1. Event Center funded through the issuance of City Special Obligation Bonds or Limited Obligation Bonds (no EB-5 or New Market Tax Credit Funding).
2. Event Center funded through a combination of New Market Tax Credits, EB-5 Funding and City Special Obligation Bonds.
3. Event Center funded through New Market Tax Credits and EB-5 Funding only.
4. Event Center funded through a Public Private Partnership Lease Arrangement with a Developer.

Other financing considerations not included in this analysis:

1. Event Center Economic and Fiscal Impacts (both one-time and on-going) as identified by AECOM.
2. Potential new tax revenues that could be pursued by the City and surrounding Counties.
3. Debt Capacity derived from the decline in the City's existing tax-supported debt profile.
4. Project "right-sizing" efforts and potential energy efficiency measures that could be incorporated into the project design.

# Summary of Cases



Case Number	1	2	3	4
<b>Funding Sources</b>				
NMTC Leveraged Loan (Loan A)	n/a	EB-5	EB-5	n/a
NMTC Equity (Loan B)	n/a	NMTC Investment	NMTC Investment	n/a
City Financing	City LOBs / SOBs	City SOBs	n/a	Operating Lease
Other Financing / Equity	Equity	Equity	Equity	Equity / Renewable Energy Tax Credits
NMTC Put /Refinancing	n/a	City LOBs / SOBs	EB-5	n/a

<b>Uses of Funds</b>				
Land, Design and Engineering	8,872,500	8,872,500	8,872,500	8,872,500
Construction (Hard Costs)	29,075,000	29,075,000	29,075,000	29,075,000
Construction Contingency	1,353,750	1,353,750	1,353,750	1,353,750
Other Costs	3,598,000	5,748,000	5,748,000	3,598,000
Energy Efficiency / Solar Panels	-	-	-	3,300,000
<b>Total</b>	<b>42,899,250</b>	<b>45,049,250</b>	<b>45,049,250</b>	<b>46,199,250</b>

<b>Sources of Funds</b>				
NMTC Leveraged Loan (Loan A)	-	20,000,000	30,738,000	-
NMTC Equity (Loan B)	-	9,009,000	12,012,000	-
City Financing	40,600,000	13,741,000	-	41,900,000
Other Financing / Equity	2,299,250	2,299,250	2,299,250	4,299,250
<b>Total</b>	<b>42,899,250</b>	<b>45,049,250</b>	<b>45,049,250</b>	<b>46,199,250</b>

<b>Projected Annual Equivalent Tax Impact</b>				
Year 1	0.0 ¢	0.0 ¢	0.0 ¢	0.0 ¢
Year 2	9.1 ¢	6.4 ¢	4.9 ¢	7.0 ¢
Year 3	9.1 ¢	6.4 ¢	4.9 ¢	7.0 ¢
Year 4	10.6 ¢	7.9 ¢	6.4 ¢	8.5 ¢
Year 5	10.6 ¢	7.9 ¢	6.4 ¢	8.5 ¢
Year 6	10.0 ¢	7.3 ¢	5.9 ¢	8.0 ¢
Year 7	10.0 ¢	7.3 ¢	5.9 ¢	8.0 ¢
Year 8	9.4 ¢	6.8 ¢	5.4 ¢	7.5 ¢
Year 9	9.4 ¢	8.0 ¢	6.9 ¢	7.4 ¢
Year 10	9.3 ¢	8.0 ¢	6.8 ¢	7.4 ¢
Year 11	9.3 ¢	7.9 ¢	6.8 ¢	7.3 ¢
Years 12-20	9.2 ¢	7.9 ¢	6.8 ¢	7.3 ¢





### Richmond Office

One James Center  
901 East Cary Street  
11th Floor  
Richmond, VA 23219

### Ted Cole

Senior Vice President

804-697-2907

[tcole@investdavenport.com](mailto:tcole@investdavenport.com)

### Raleigh Office

Glenwood Plaza  
3605 Glenwood Ave  
Suite 390  
Raleigh, NC 27612

### Bob High

First Vice President

919-571-6547

[rhigh@investdavenport.com](mailto:rhigh@investdavenport.com)

### Charlotte Office

Independence Center  
101 N. Tryon Street  
Suite 1220  
Charlotte, NC 28246

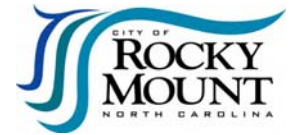
### Mitch Brigulio

Vice President

704-644-5414

[mbrigulio@investdavenport.com](mailto:mbrigulio@investdavenport.com)

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